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SUBJECT: UKRAINE: KYIVITES BRACE FOR INCREASED PUBLIC TRANSPORTATION RATE HIKES

¶1. (SBU) In the midst of Ukraine's heightened economic instability, the Kyiv City Council on November 1 approved steep rate hikes for public transportation (metro, busses, and trams). Public transportation rates have not increased in Kyiv since 2000, when the cost was raised from 30 kopecks (\$0.052) to 50 kopecks (\$0.087) where it has remained for 8 years. Beginning November 4, however, Kyivites will pay 2 hrivnia (UAH) or (\$0.35) to ride the metro, and 1.50 UAH (\$0.26) to ride busses or trams. Transportation officials explained that the rate hike will provide for safety improvements, increased wages, and improved passenger services. The announcement to raise public transportation costs has sparked outrage among Kyivites we spoke with, and have some worried about the reaction of would-be passengers on November 4, when many learn about the rate hike for the first time.

¶2. (U) Local residents we spoke with explained that not only was the policy unexpected and little time was given for passengers to prepare for the increase, but implementing the rate increase seems not to have been thought-out. Local press reports those wanting to ride a bus or tram can purchase tickets from select kiosks throughout town for 1.50 UAH (\$0.26) or alternatively on the bus or tram directly from the driver for 2 UAH (\$0.35). Unfortunately, due to little warning, enough new tickets have not been printed and will not be available at kiosks for an undisclosed time period, forcing people to buy more expensive tickets on the bus or tram. Bus and tram passengers will be able to exchange their current tickets toward the cost of a new ticket for an undisclosed period.

¶3. (U) Metro (subway) officials announced that turnstiles will be reconfigured on the evening of November 3, so that only new metro tokens will be accepted, but most doubt that reconfiguring archaic turnstiles can be done in a few hours in 47 different metro stations. On-line publications and chat rooms have come to life with predictions of chaos on the morning of November 4, when many people will learn that their current metro tokens will no longer work. According to metro officials, passengers will be allowed to exchange their old tokens toward the purchase of a new token for an undisclosed period of time.

¶4. (SBU) Under the current system several categories of passengers either ride for free: men over 60 and women over 55 with proof they are on a pension (even though many pensioners continue to work), certain groups of disabled people, and some federal, regional, and city employees. Students also ride for half the price, so the increased rates will not affect everyone. As a result, the steep increase will have the greatest affect on those with low-income jobs who are not in school, and not eligible to apply for pension or disability benefits.

¶5. (SBU) Some Kyivites we spoke with told us that gross mismanagement of advertising funds in the metro had contributed to the rate increase. With hundreds of thousands of passengers per day traveling through Kyiv's many metro stations, the metro is an ideal place for companies to advertise. (Note: EconOff rides the metro daily and is bombarded with advertisements in the station and inside individual cars. End note.) Some Ukrainian press reports have alleged that advertising middlemen companies have been allowed to siphon off funds intended for metro coffers, resulting in an advertising profit in 2007 of only UAH 12 million (\$2.1 million) although companies reportedly paid UAH 127 million (\$22 million) to advertise in the metro's stations.

¶6. (SBU) Comment. Although moving away from subsidies to more realistic rates for public services is an important step Ukrainian officials should take, the recent public transportation rate hike might be too high and too fast for most Kyivites. With food and fuel prices remaining considerably higher in Kyiv than other Ukrainian cities, paying more to get around Kyiv will most likely not generate any more smiles during a difficult economic period in Ukraine's capital. End comment.

TAYLOR